United Nations Industrial Development Organization

Distr.: General
1 October 2018

Original: English

Industrial Development Board
Forty-Sixth session
Vienna, 26–28 November 2018
Item 8 of the provisional agenda
Sustainable industrial development in middle income countries

Strategic Framework for Partnering with Middle-Income Countries

Report by the Director General

In line with resolution GC.17/Res.6, this document proposes a strategic framework for collaboration of UNIDO, within its mandate and resources, with middle-income countries aimed at promoting their achievement of inclusive and sustainable industrial development. The present document outlines the scope and prospects for programmatic cooperation between UNIDO and its MIC Member States.

I. Introduction

1. At its seventeenth session, the General Conference mandated UNIDO to develop a strategic framework for cooperation with middle-income countries (MICs) (GC17/Res.6). This important step came five years after the landmark San José Declaration, entitled "Challenges for Sustainable Development and International Cooperation in Middle-Income Countries: The Role of Networks for Prosperity" (IDB.41/Dec.4), which was adopted in June 2013, and two years after the adoption of the 2030 Agenda for Sustainable Development, including the 17 Sustainable Development Goals (SDGs).

2. UNIDO's strategic framework for partnering with MICs is founded on the Organization's consideration of MICs as key partners given their dual role as recipients and contributors of development, and also on the critical importance of the role of MICs in South-South knowledge exchange and cooperation. It is also based on the mandate of UNIDO to promote the achievement of inclusive and sustainable industrial development (ISID) in its Member States, particularly through the implementation of Goal 9, to "Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation".

For reasons of economy, this document has not been printed. Delegates are kindly requested to bring their copies of documents to meetings.

V.18-06223 (E) 101018 111018

Please recycle

II. Characterization of MICs as partners for ISID

3. The 2030 Agenda provides the framework for the re-emergence of the dual role of MICs as both recipients and providers of development assistance. Their role as recipients or as countries eligible for development assistance is justified by, among other key features: (a) scarce industrial and economic diversification; (b) MICs' low productive activities focused on a few key industries and exports; and (c) high dependence on the export of commodities, therefore making them vulnerable to fluctuations in prices on global markets.

4. In parallel, their role as providers of development assistance, including through South-South cooperation (SSC) modalities, is substantiated by their income status, particularly among upper-MICs, and substantial economic resources, some MICs being among the largest economic powers in the world by nominal GDP.

5. In this context, and given UNIDO's unique mandate of ISID, the Organization will strengthen its partnership with MICs individually and in multi-stakeholder agreements to position UNIDO as the main partner for ISID and for the national implementation and attainment of Goal 9 and other industry-related goals of the 2030 Agenda.

III. A rationale for this strategic framework

6. Currently, 97 out of 168 UNIDO Member States are MICs. This is fifty-eight per cent of the total of UNIDO Member States. MICs host five of the world's seven billion people and 73 per cent of the world's poor people. In parallel, this group of countries produces about one third of global gross domestic product (GDP). MICs are major engines of global growth and, therefore, essential for continued global economic growth and stability. Considering the relevance of this group of countries, both in general and in terms of percentage of UNIDO's membership, the renewed framework for partnering with MICs recognizes the vital importance of articulating ISID solutions to effectively respond to the specific development challenges of MICs.

7. The engagement envisaged in this framework for partnering with MICs is in line with UNIDO's medium-term programme framework (MTPF) 2018–2021. This proposal is meant to serve as a guiding framework to steer UNIDO's partnership and cooperation with MICs

8. The dual role of MICs as recipients and providers of development assistance through SSC practices will have a positive impact on least-developed countries as beneficiaries of knowledge and technology transfer. For traditional donors, SSC will complement, not replace, North-South cooperation practices, thereby also benefitting this group of countries.

IV. Strategic goal and vision

9. As mandated by GC.17/Res.6, the overall goal of this strategic framework is to "advance UNIDO's industrial cooperation activities with and to promote inclusive and sustainable industrial development in middle-income countries". The envisaged engagement is outlined here below under each of the four thematic priorities of the MTPF 2018–2021: (a) creating shared prosperity; (b) advancing economic competitiveness; (c) safeguarding the environment; (d) strengthening knowledge and institutions.

A. Creating shared prosperity

10. Within the framework of this thematic priority, UNIDO fosters ISID, poverty reduction and social cohesion. In the context of its strengthened partnership with MICs, the Organization will aim at catalysing its expertise in: (a) improving agricultural processes and light manufacturing to help MICs achieve their respective structural upgrading by increasing both productivity and incomes; (b) strengthening producer groups; (c) helping increase the value added to primary production; and (d) providing access to infrastructure and ensuring energy security.

B. Advancing economic competitiveness

11. Under this thematic area, UNIDO will aim at supporting middle-income economies in creating sustainable jobs, attracting investment and particularly in adopting new technologies for the achievement of ISID. UNIDO's work on Industry 4.0 and science, technology and innovation (STI) will be instrumental to enhance the Organization's efforts at improving productive capacities and supporting the structural transformation of the economies in MICs. The Organization will therefore promote and scale up the implementation of programmes on: (a) the dissemination and uptake of new, enhanced technologies and the introduction of innovations in manufacturing processes; (b) facilitating the adaptation to rapid technological changes; (c) fostering prospects for industrial and trade diversification, value addition, enhanced productivity, economic growth, and job creation; and (e) providing policy-advisory services to governments on setting up regulatory frameworks in the respective areas. UNIDO's focus on technology transfer and skills development will accelerate the implementation of good technology practices and industrial skills development.

C. Safeguarding the environment

12. Through its environment and energy-related programmes and projects, UNIDO will address the priorities of MICs in this area by assisting governments, institutions and industries to best adapt their production methods, move towards cleaner production systems and develop sustainable and efficient energy solutions. UNIDO's focus on promoting green economy and providing circular economy solutions that promote recycling, resource recovery and the sustainable use of natural resources will be of particular relevance to MICs. UNIDO will keep supporting MICs in meeting their obligations under multilateral environmental agreements, including the Montreal Protocol, the Stockholm Convention and the Minamata Convention on Mercury.

D. Strengthening knowledge and institutions

13. This thematic priority of the MTPF 2018–2021 enables a shift from a conceptual and sectoral perspective to a perspective focused on advancing ISID through the cross-sectoral knowledge and institutional capacities of the Organization. Activities under this thematic priority therefore, will encompass all functions of UNIDO. Of interest to MICs will be the associated UNIDO services in such areas as, inter alia, policy analysis or capacity-building on industrial statistics.

V. Priority areas of intervention

14. The strategic framework for partnering with MICs recognizes the critical relevance of technology transfer for achieving the necessary industrial upgrading that allows MICs to accelerate their graduation into the high-income status. Specific efforts will be dedicated to accelerate the modernization of industrial processes,

which are necessary to increase the productivity of the industrial sector, and facilitates escaping out of the middle-income trap.

15. In this vein, and in light of the overarching nature of STI, UNIDO will prioritize the implementation of technical activities in the areas of: (a) Industry 4.0; (b) circular economy; and (c) the future of industrial skills. These streams of work will be guided by the Organization's strategic positioning on STI, currently under elaboration. Intensive efforts will be made to promote initiatives leading to: (a) improving industrial productive capacities and supporting the structural change of the economies of MICs; (b) anticipating the needs of MICs in terms of industrial skills and implementing programmes addressing these; and (c) promoting low-carbon technologies and circular systems, as well as investments in resilient infrastructure.

VI. Means of implementation

16. Effective industrial development assistance will be provided through UNIDO's four enabling functions of technical cooperation; analytical and research functions and policy advisory services; normative functions and standards and quality-related activities; and its convening role and partnerships. The UNIDO strategic framework for partnering with MICs will be operationalized through the following:

(a) *Partnerships and financing*: Leveraging partnerships and strategizing cooperation with individual MICs and the MIC group as a whole to scale up the Organization's development impact will be at the core of the renewed strategic framework for cooperation. Traditional forms of financing ISID will be strategically oriented through a deep analysis and mapping of thematic and geographical priorities of potential donors, both traditional and emerging, and a careful selection of those related to UNIDO's mandate. UNIDO will stress the identification of strong national partner institutions, such as business associations, universities, knowledge hubs, and NGOs, with whom to pursue joint initiatives in the area of ISID. In addition to the traditional model for partnering, UNIDO's renewed approach to MICs will have a particular focus on:

(i) *Partnering with the business sector and development finance and international financial institutions (DFIs/IFIs)*: A building block of the strengthened cooperation with MICs should be partnering with private sources of finance, including financial and direct investment, and DFIs/IFIs. Consistently partnering with the business sector will ensure that UNIDO can substantially contribute its experience and perspectives through its technical assistance and normative interventions into industry in MICs. In parallel, a gradual expansion of multi-stakeholder approaches such as the Programme for Country Partnership will increase UNIDO's role in the industrial development of MICs by assisting them to achieve a higher development impact. Multi-stakeholder platforms will be a place to discuss, share information and unleash the potentials of the different actors involved in specific ISID areas. UNIDO's efforts should also prioritize and support the internationalization of the private sectors in MICs through international exhibitions, fairs, business missions, and business-to-business events. Efforts will also be focused on deepening cooperation with DFIs/IFIs, particularly by providing technical assistance with grant support from DFIs/IFIs, and by supporting governments of MICs in the implementation of IFI/DFI-financed programmes or projects.

(ii) *Partnering within the United Nations system*: UNIDO also envisions strengthening its collaboration with other United Nations entities. Based on the technical comparative advantage of UNIDO, and considering the prioritization of the economic and environmental dimensions of sustainable development in the new generation of United Nations Development Assistance Framework, cooperation with other United Nations entities will be key to position the Organization as the focal point for all the ISID activities in MICs. UNIDO will actively participate in joint funds mobilization within United Nations Country

Teams and explore opportunities arising from the repositioning of the United Nations development system, including raising funds from the Joint Fund for the 2030 Agenda and other relevant instruments. While United Nations coordination at the field level remains essential, UNIDO will also work towards engaging with the political discussions being held particularly in New York. The Department responsible for MICs at UNIDO, the Department of Programmes, Partnerships and Field Integration (PTC/PPF), has already started its engagement with the ongoing MICs process being developed in New York. This process is being coordinated by the United Nations Department of Economic and Social Affairs and led by the Like-Minded Group of Countries Supporters of MICs. The engagement is expected to be consolidated in the upcoming months and should result in an improved positioning of the Organization to respond to the needs of the Group, as well as in terms of integrating UNIDO's mandate of ISID into the process.

(iii) *Exploring alternative mechanisms for financing ISID, including self-financing*: Traditional forms of financing ISID in MICs should be strategically oriented through a deep analysis and mapping of thematic and geographical priorities of potential donors, both traditional and emerging, and a careful selection of those related to UNIDO's mandate. There is a high potential to develop and scale up self-funding activities in MICs. Given their income status and development achievements, particularly from upper-MICs, some of their ISID priorities can be addressed predominantly by means of self-funding.

(b) *South-South cooperation (SSC)*: Southern solutions and technologies are usually more appropriate for upper and lower-MICs, as they come from similar southern environments and contexts, frequently have lower costs of development, can provide more cost-effective and affordable solutions, and present an additional option for countries of the emerging South, while not excluding the use of similar technologies from the North. UNIDO will (a) identify and assess the potential for SSC at regional level, following the analyses by the Regional Divisions; (b) follow a demand-driven, tailor-made identification of Southern Industrial Development Solutions, including existing expertise and best practices to be disseminated and replicated; and (c) build on existing experiences, such as the International Centre for Inclusive and Sustainable Industrial Development in New Delhi, India, and the UNIDO Centre for South-South and Industrial Cooperation in Beijing. Activities to be emphasized under SSC modalities will include: Industrial upgrading; women's economic empowerment and entrepreneurship; development of green technologies and sustainable energy solutions; resource efficient and cleaner production; youth entrepreneurship and job creation; agri-business development.

VII. Monitoring and evaluation

17. As focal point for cooperation with MICs, PTC/PPF will be responsible for following up on the achievement of results of the UNIDO approach to MICs. PTC/PPF will act as the coordinator of the activities of departments, divisions and field offices will be monitored, ensuring coherence and alignment with the overall UNIDO framework for cooperation.

18. Progress will be reported through the UNIDO Annual Report, the UNIDO integrated results and performance framework, and the UNIDO Open Data Platform.

19. Evaluation of the activities implemented within the context of the strategic framework for partnering with MICs will be conducted by the Independent Evaluation Division at UNIDO (ODG/EIO/IED).

VIII. Action required of the Board

20. The Board may wish to take note of the information contained in the present document.